

**AGREEMENT BETWEEN STATE OF MARYLAND, MARYLAND
ENERGY ADMINISTRATION, CONSTELLATION ENERGY GROUP,
BGE, AND ELECTRICITE DE FRANCE**

This settlement agreement ("Agreement") reflects the terms on which the State of Maryland and the Maryland Energy Administration (collectively, "the State"), and Constellation Energy Group (CEG), Baltimore Gas and Electric Company (BGE) and Electricite de France (EDF) support a resolution and dismissal of Case No. 9173, now pending before the Maryland Public Service Commission (PSC). The parties to this Agreement acknowledge that there are parties to PSC Case No. 9173 who are not signatories to this Agreement, and the parties further acknowledge that this Agreement is subject to the approval of the PSC. The parties agree to submit this Agreement to the PSC and to seek the PSC's approval of the Agreement.

Nothing in this Agreement will limit PSC's statutory jurisdiction to review matters affecting BGE, including but not limited to a review of whether ring-fencing measures in addition to those for which this Agreement provides should be implemented, and a review of whether EDF actually exercises substantial influence over BGE. Further, nothing in this Agreement will limit the ability of the PSC to order appropriate remedies as permitted by law.

I. RING-FENCING

A. BGE Independent Board.

1. Within 120 days of this Agreement, BGE shall establish a Board of Directors with a majority of independent directors. The corporate structure of the Board shall comply with the Governance Rules set forth in Section 303A of the New York Stock Exchange ("NYSE") Listed Company Manual, including but not limited to Sections 303A.01, .04 and .05.

2. The initial independent BGE Board members will be selected by mutual agreement of the State and CEG, after the identification and presentation of candidates by a search firm. Thereafter, under the Section 303A approach, an independent nominating committee of the BGE Board will be used to nominate and select Board members.

B. BGE Strategic Plans. BGE shall create a Board-level "Strategic Planning Committee" that will establish BGE's business plans independent of CEG authority. The Strategic Planning Committee shall be comprised of a majority of independent directors. The plans shall be approved by both BGE and CEG.

C. BGE Executive Compensation.

1. BGE shall create a BGE Board-level "Compensation Committee" to set compensation for BGE's senior executives. The Compensation Committee will be limited to independent directors, as required by the NYSE Rules. This Committee may consider input from CEG, though the Committee retains decision-making authority.

2. The BGE Compensation Committee shall tie incentive plans for BGE senior management to BGE-specific performance, not CEG stock performance. BGE shall hire an independent, outside accounting firm to determine the appropriate accounting metrics to determine incentives.

D. BGE Non-Consolidation Opinion.

1. The parties have shared objectives to: (i.) ensure that BGE would be insulated and protected in the event of a bankruptcy filing by CEG or its affiliates and subsidiaries; and (ii) ensure that BGE shall achieve and sustain credit ratings from all three rating agencies that are separate and independent from the ratings of CEG or its affiliates or other subsidiaries.

2. Within 120 days of this Agreement, BGE shall file a non-consolidation opinion with the PSC that the ring-fencing provisions it has established are sufficient such that a bankruptcy court would not order consolidation of the assets and liabilities of BGE with CEG or its subsidiaries. CEG shall obtain the non-consolidation opinion from a nationally-recognized and independent expert in bankruptcy law, either (i) jointly chosen by CEG and the State or (ii) chosen by CEG and approved by the PSC.

3. Prior to obtaining that opinion, CEG shall seek and obtain from Standard & Poor's input into what actions should be taken to receive a determination that BGE is sufficiently "bankruptcy-remote" to be able to obtain a credit rating that is not tied to CEG's rating. CEG shall then take such actions.

4. After receipt of the non-consolidation opinion and after implementation of the actions recommended by Standard & Poor's, CEG shall seek and obtain from Standard & Poor's a determination that BGE is sufficiently "bankruptcy-remote" to be able to obtain a credit rating that is not tied to CEG's rating.

E. BGE Dividend Distribution/Credit Rating.

1. BGE shall not pay dividends unless its investment rating from all three rating agencies reaches a level equivalent to the prevailing average rating of a specified peer group of utilities, as mutually agreed to by the parties, with a positive future outlook. If the parties are unable to reach agreement on a specified peer group, the group shall be established by the PSC.

2. BGE shall not pay dividends to CEG if the payment of such dividends would result in BGE's equity falling below 50 percent of its total capital. The percentages shall be calculated based on all BGE debt, regardless of source.

3. At least thirty days before the payment of a dividend, BGE shall file with the PSC documentation establishing compliance with Sections IEI and IE2, and the PSC shall take reasonable actions to ensure these standards are met.

4. BGE and CEG shall take no action to cause, and shall take all necessary action to prevent, CEG's and BGE's credit ratings from falling below investment grade status.

F. Allocation of Costs.

1. CEG shall not allocate any of the costs of the EDF transaction to BGE.

2. CEG shall not allocate to BGE any of the costs related to its obligations under this Agreement.

3. Within three months from the date of this Agreement, the parties shall jointly request that the PSC review the present formulas for cost allocations for services provided by CEG to BGE. As part of the PSC review, CEG agrees to review the Cost Allocation Manual and the Cost Accounting Manual to ensure consistency with the ring-fencing and financial protections contemplated by this Section I, and agrees to submit its findings and any proposed changes to the PSC for its approval. If the PSC, in its sole discretion, requires outside assistance with its review, CEG shall pay all reasonable costs of this assistance.

G. Protection from Compelled Bankruptcy. BGE and CEG shall put in place governance procedures that ensure that unless approved by all directors on the BGE Board, BGE and CEG shall not be authorized or empowered:

1. to consolidate, merge, dissolve, liquidate or sell all or substantially all of BGE's assets;
2. to institute proceedings to have BGE adjudicated bankrupt or insolvent;
3. to consent to the institution of bankruptcy or insolvency proceedings against BGE;
4. to file a voluntary petition seeking, or consent to, reorganization or relief with respect to BGE under any applicable federal or state law relating to bankruptcy;
5. to consent to appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of BGE or a substantial part of its property;
6. to make any assignment for the benefit of creditors of BGE;
7. to admit in writing BGE's inability to pay its debts generally as they become due; or
8. to the fullest extent permitted by law, to take any action in furtherance of any such actions.

H. Independence of BGE. Unless the PSC approves an action inconsistent with this subsection, BGE shall at all times:

1. maintain its own separate books and records, financial statements and bank accounts;
2. maintain its own debt;
3. cease participating in the CEG cash management pool;
4. except for tax and accounting purposes, at all times hold itself out to the public as a legal entity separate from any other person and not identify itself as a division of any other person;
5. pay any taxes required to be paid under applicable law;
6. not commingle its assets with the assets of any other person;
7. conduct its business in its own name and hold all of its assets in its own name;
8. pay its own liabilities out of its own funds;

9. maintain an arms-length relationship with its affiliates;
10. from its own funds, pay the salaries of its own employees;
11. not hold out its credit as being available to satisfy the obligations of other persons;
12. maintain its own office and telephone line separate and apart from its affiliates, although it may lease space from an affiliate and share a phone line with an affiliate, having either a separate number or extension, and in furtherance thereof allocate fairly and reasonably any overhead for shared office space;
13. use separate stationery, invoices and checks bearing its own name;
14. not pledge its assets for the benefit of any other person;
15. correct any known misunderstanding regarding its separate identity;
16. maintain adequate capital and an adequate number of employees in light of its contemplated business purposes;
17. not make or permit to remain outstanding any loan or advance to any person or entity other than BGE, or own or acquire (i) indebtedness issued by any other person or entity other than subsidiaries, or (ii) any stock or securities of or interest in any person or entity other than BGE or its subsidiaries;
18. not become or remain liable, directly or contingently, in connection with any indebtedness or other liability of any other person or entity, whether by guarantee, endorsement (other than endorsements of negotiable instruments for deposit or collection in the ordinary course of business), agreement to purchase or repurchase, agreement to supply or advance funds or otherwise;
19. not, except for secured financings, grant or permit to exist any lien, encumbrance, claim, security interest, pledge or other right in favor of any person or entity in the assets of BGE or any interest (whether legal, beneficial or otherwise) therein;
20. not engage, directly or indirectly, in any business other than as permitted to be performed under the company's operating agreement; and

21. not make any change to its name or principal business or use of any trade names, fictitious names, assumed names or "doing business as" names.

I. CEG Prohibited Actions. CEG shall not pledge BGE's assets for the benefit of any other person, including any affiliate of BGE, nor shall CEG pledge the assets of BGE as backing for any securities which CEG or its affiliates, other than BGE, may issue.

J. Access to Books and Records

1. BGE and CEG shall maintain the necessary books and records so as to provide an audit trail for all corporate, affiliate, or subsidiary transactions with BGE, or that result in costs that may be allocable to BGE.

2. BGE and CEG shall ensure that the PSC shall have access to all books and records (including those of CEG or any affiliate or subsidiary companies) that the PSC deems necessary to verify or examine transactions between or among BGE and its affiliates, or that result in costs that may be allocable to BGE.

3. BGE and CEG shall provide the PSC with access to written information provided by and to credit rating agencies that pertains to BGE. CEG shall also ensure that the PSC shall have access to written information provided by and to credit rating agencies that pertains to CEG or its subsidiaries or affiliates to the extent such information may potentially affect BGE.

4. The access provided in this Subsection J is in addition to, and does not replace, any other existing authority of the PSC to access books and records or other documents of BGE or CEG.

K. BGE Customers Held Harmless. CEG and BGE commit that BGE's customers will be held harmless from the liabilities of any non-regulated activity of CEG or its affiliates.

L. PSC Review and Oversight.

1. The parties acknowledge that the list of items in Section I constitutes the minimum, agreed-upon ring-fencing measures to be implemented in accordance with this Agreement. The parties further agree to participate in a ring-fencing proceeding, as contemplated by the 2008 Settlement Agreement and Public Utilities Article 6-105(g)(2)(xi), in which the PSC may determine whether ring-fencing protections for BGE in addition to those required under this Agreement are needed.

2. The parties agree that the PSC review shall include but shall not be limited to the following areas: (i) BGE contracts with affiliates; (ii) the approval process for BGE capital projects; and (iii) BGE transfers and loans to affiliates.

3. BGE and CEG agree that if the PSC determines that additional ring-fencing provisions are necessary to protect BGE ratepayers, BGE and CEG will not oppose or challenge these additional ring-fencing provisions.

II. BGE ELECTRIC RATE CREDIT

A. BGE shall credit to its Maryland residential electric customers a one-time bill credit—to be distributed no later than December 31, 2009—in a total amount equal to a 10% annualized reduction for the average BGE rate payer.

B. The credit shall be paid in an equal amount per BGE residential electric customer.

III. ELECTRIC UNIVERSAL SERVICE PROGRAM FUND

For each calendar year, from 2009 through 2014, CEG shall contribute to the Electric Universal Service Program fund an amount equal to the amount charged to BGE ratepayers for the Electric Universal Service Program fund.

IV. BGE ELECTRIC DISTRIBUTION AND NATURAL GAS DELIVERY RATE CASES

A. The parties agree that the next BGE electric distribution rate case and/or natural gas delivery rate increases will occur such that any new rates would not be effective prior to October 1, 2011, and any increase awarded in this filing to the BGE electric distribution revenue or natural gas delivery revenue made effective on or subsequent to October 1, 2011 would be capped at 2.5%. However, to the extent that changes to: (1) applicable laws or regulations and/or (2) orders implementing new standards are made that in either case would materially increase distribution costs of service prior to October 1, 2011, BGE may file with the Commission to collect such increased costs of service, and such a filing shall not be considered to violate this Agreement.

B. BGE will delay the filing of a second request for an electric distribution rate increase and natural gas delivery rate increase until April 1, 2013, at the earliest. Any increase awarded in this second filing would be capped at an additional 2.5%.

C. The foregoing provisions of Section IV will not cover electric riders, FERC-approved transmission rates, SOS generation rates, tax increases, or PSC-approved power supply arrangements.

D. Prior to the filing of any new rate case, BGE will provide benchmark information of its electric and gas distribution costs and practices in comparison to other mid-Atlantic utilities and propose a plan for PSC approval to implement distribution system efficiencies for reducing operation and maintenance process costs in line with best utility practices.

V. LONG TERM RATE STABILIZATION

CEG shall provide 20% of the standard offer service residential load to BGE on a rate-regulated basis, the details of which shall be decided by the PSC, unless the PSC determines that this transaction is not in the public interest.

VI. ENERGY CONSERVATION

A. The parties agree that they have a shared goal of significantly reducing home energy consumption by capitalizing on Maryland's recently completed and successful "Smart Meter" pilot projects.

B. CEG and EDF, in support of this program, agree to pay \$200 million toward the expansion of the Smart Grid program (including Smart Meters) in the BGE territory. This cost shall not be allocated to BGE or passed on to BGE ratepayers.

C. The parties agree that the implementation of the Smart Grid program, including the timing of expenditures, shall be governed by and approved by the PSC.

D. The State will support efforts by CEG and EDF to seek and obtain federal funding in support of the Smart Grid Program; however, the \$200 million commitment shall be in addition to any state or federal funds received by CEG.

E. If BGE does not implement a Smart Grid program due to lack of PSC approval, CEG and EDF agree to spend an equal amount in support of another clean energy project approved by all parties to this Agreement.

VII. LIMITATIONS ON EXECUTIVE COMPENSATION

A. The parties acknowledge that executive compensation is a highly sensitive issue among the citizens of Maryland and the ratepayers of BGE.

B. The current Chairman and Chief Executive Officer of CEG is a participant in the Senior Executive Supplemental Plan.

C. CEG agrees that it will not make payments to the current CEG Chief Executive Officer of the amounts currently owed or that will vest in the future under the Senior Executive Supplemental Plan. The Chief Executive Officer by signing this Agreement agrees to waive all rights to his Senior Executive Supplemental Plan now and in the future.

D. The current Chairman and Chief Executive Officer of CEG has a Change in Control Agreement. CEG shall terminate the Change in Control Agreement and shall not enter into a new Change in Control Agreement with its current Chief Executive Officer. The Chief Executive Officer by signing this Agreement agrees to waive all rights to his Change in Control agreement now and in the future.

E. This Section VII reflects the agreement of the parties that payments contemplated by this section with respect to the current Chief Executive Officer are not to be paid by BGE or CEG. The parties acknowledge that there are many ways in which to pay executive compensation, and the parties agree not to pay the amounts described in this Section VII by characterizing the payments in a manner other than as payments arising from the Senior Executive Supplemental Plan or from the Change in Control Agreement.

VIII. CAPITAL EXPENDITURES

A. The parties recognize that the PSC may review and approve capital expenditure plans for utilities, including BGE, under the PSC's existing statutory authority. This authority includes, but is not limited to, Sections 7-506 and 7-510 of the Public Utilities Article of the Annotated Code of Maryland.

B. BGE, on an annual basis, shall present to the PSC for review BGE's planned capital expenditure plan for the following 3-5 years.

C. CEG and BGE agree that as part of this Agreement, the PSC shall have the authority to require modifications to BGE's capital expenditure plan if such modifications are in the best interests of BGE ratepayers.

IX. SETTLEMENT AGREEMENT

A. The parties agree to take all actions necessary to implement the terms of this Agreement and agree not to take any actions that are contrary to this Agreement and its implementation.

B. Within 120 days after PSC approval of this Agreement, CEG shall submit a report ("Compliance Report") demonstrating compliance with each of the terms of the Agreement. To the extent there is a showing of noncompliance with any term of this Agreement, the Commission shall have the authority to enforce the Agreement, whether in response to the submission of the Compliance Report or in response to a complaint (or on the Commission's own motion).

X. CHOICE OF LAW AND CHOICE OF FORUM

This Agreement shall be deemed to be executed in the State of Maryland and subject to and construed in accordance with the laws of Maryland, without regard to its rules regarding conflict of law.

XI. NO ADMISSION OF LIABILITY

This Agreement is the result of compromise and accord and shall not be considered an admission of liability or responsibility by any party.

XII. BINDING NATURE

This Agreement shall be binding upon the parties, their successors, assigns, and any other person claiming the right of any of the parties.

XIII. AMENDMENT

This Agreement may be amended, supplemented or modified only by a written instrument duly executed by or on behalf of each party.

XIV. NO WAIVER

No party's failure to assert any rights or remedies available to it under this Agreement shall be considered a waiver of such right or remedy or any other right or remedy unless such waiver is contained in a writing signed by the party alleged to have waived its right or remedy.

XV. NO THIRD PARTY BENEFICIARY

The terms and provisions of this Agreement are intended solely for the benefit of the parties and their respective affiliates, successors, and assigns, and it is not the intention of the parties to confer third-party beneficiary rights, and this Agreement does not confer any such rights, upon any other person.

XVI. CONSTRUCTION

The parties agree that this Agreement is the product of negotiation between sophisticated parties and individuals, all of whom were represented by counsel, and each of whom had an opportunity to participate in and did participate in, the drafting of each provision hereof. Accordingly, ambiguities in this Agreement, if any, shall not be construed strictly or in favor of or against any party hereto but rather shall be given a fair and reasonable construction and shall not be construed against the drafter.

XVII. COUNTERPART EXECUTION

This Agreement may be executed in two or more parts, and all counterparts shall constitute one and the same instrument.

XVIII. ENTIRE AGREEMENT

This Agreement constitutes the entire agreement of the parties. There is no other settlement agreement, written or oral, express or implied, between or among the parties except for this Agreement. No other promises or representations have been made other than as expressed herein, and in executing this Agreement, the parties have not relied on any promise or representation other than as expressed herein. The terms of this provision are contractual and not a mere recital.

IN WITNESS WHEREOF, on this ____ day of June 2009, the undersigned hereby execute this Agreement.